

MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

To: The Honorable Board of Supervisors
From: Thomas M. Miller, County Executive Officer
By: Allison Carlos, Principal Management Analyst
Date: March 22, 2011
Subject: Presentation on Placer County Fire Protection Services

ACTION REQUESTED

The Board of Supervisors receive a presentation regarding Placer County Fire budgets and economic challenges for the Fiscal Year 2011/12.

BACKGROUND

Fire protection in unincorporated Placer County is provided by twelve independent fire protection districts and by the Placer County Fire system. The Placer County Fire system maintains eight fully staffed stations and six volunteer stations, responding to 5800 calls for service annually. Placer County Fire serves the unincorporated area not covered by independent districts through a contract with CAL FIRE with services that includes: wildland, structure and vehicle fire suppression, all-hazard accident, hazardous materials, medical aid response, and provision of dispatch services.

Major funding sources for Placer County Fire are revenues from Community Service Areas Zones of Benefit (CSAs), Secure Property Tax, and General Fund. Placer County Fire currently provides year-round, all hazard fire and emergency services over about 440 square miles or nearly one third of the County. Fire protection services in the unincorporated County have been provided by Placer County since the late 1940s. Initially, the County funded a single firefighter operating within the Lincoln area with a single fire truck and volunteers.

Historic Trends

Since 2001, Placer County has assumed fire service responsibilities at the request of former independent special district residents or their elected Board and has entered into an agreement with the United Auburn Indian Community (UAIC) to provide and later expand services within the Sunset Industrial Area.

Significant increases in service responsibilities have occurred over the last decade. Placer County Fire has assumed service responsibilities at the request of the voters in the former Dry Creek Fire Protection District area (2001); entered into an agreement with the UAIC to provide fire and emergency medical service at the Thunder Valley Casino and Resort (2003); at the request of the elected Board of Directors, assumed fire protection responsibilities in the former Placer Consolidated Fire Protection District Area (2006); and by agreement with the UAIC expanded service in two phases in support of the Thunder Valley Casino and Resort expansion (2008 and 2009). With the assumption of services in both Dry Creek and North Auburn Ophir, Placer County maintained locally approved funding levels through the formation of CSAs with distinct geographic boundaries, contiguous with the original Fire District boundaries. Similar to

the period before dissolution of these independent Districts, the newly formed CSA areas receive services commensurate with funding from those specific areas. In this way, residents and business owners in each CSA determines their service level and provides the necessary level of funding. The CSAs, while fiscally independent of the County and its funds, provide revenues to the Placer County Fire Control Fund to pay for personnel costs commensurate with desired service levels.

The County's Fire Control Fund holds the broader CAL FIRE contract, a subset of which includes personnel costs for the UAIC agreement and the CSA's System expansions since FY 2005/06 have resulted in an increase in the CAL FIRE contract from \$4.7M to \$9M. In addition to the the CALFIRE contract, the Fire Control Fund also funds select apparatus replacement, the hazardous materials incident response program, and station operations at the original fire stations (Station 70 on Wise Road).

Current Condition and Service Impacts

FY 2010/11, Fire Control Fund and CSAs are generally trending with budget and are projected to have a year end fund balance, which will, to some extent, support services for the upcoming fiscal year. Secure Property Tax has declined in general with the turn in the economy. However the Fire Control Fund has realized some increase.

The Dry Creek and North Auburn Ophir Fire (NAOF) CSAs, with the two main revenue components consisting of property tax and direct charges, are more challenged. Beginning next year, Dry Creek is projected to receive a 31% decline in property tax revenue, and a 26% drop in total revenue as compared to FY 2008/09 when the fire system last expanded. Property Tax for North Auburn/Ophir is expected to decrease by 16% with a decline in total revenue of 18% over that same period. As the table reflects below, while the projected revenues significantly decline, expenditures for Dry Creek increase moderately and only marginally for NAOF. This emphasizes that the projected shortfalls for these two CSAs are a function of revenue declines, not expenditure increases.

	<u>FY 08/09</u>	<u>FY11/12</u> (Proposed)	<u>\$ Change</u>	<u>%Change</u>
<u>Dry Creek CSA</u>				
Revenues	\$1,045,991	\$777,218	(\$268,773)	-25.7%
Expenditures	\$1,033,479	\$979,631	(\$53,848)	-5.2%
<u>NAOF CSA</u>				
Revenues	\$2,683,933	\$2,203,295	(\$480,638)	-17.9%
Expenditures	\$2,693,151	\$2,703,735	\$10,584	0.4%

Examples of anticipated service impacts resulting from this revenue problem could include directing a moratorium on apparatus replacement, additional use of reserves designed for one-time costs to fund ongoing operations and a reduction in station staffing, resulting in increased response times with possible impacts to property owner insurability.

Future Conditions

Staff conducted a preliminary multi year projection analysis of the implications of the CSAs operating with shortfall deficits, year over year, assuming a feathered use of reserves. While this solution should not be considered a recommendation by staff, it does provide perspective as to the need for solutions in this area. The core findings were that if Dry Creek and NAOF CSAs continue without changes:

- Annual shortfalls are anticipated to be approximately \$220K for Dry Creek and \$680K for NAOF.
- Balancing on limited reserves, will likely result in all reserves being expended by FY 2013/14 and there will be ongoing deficits.

It should be noted that continued loss of territory through annexations also erodes the tax base and thus has a negative impact on revenues which is not reflected in the above analysis. While revenues are reduced given the nature of fire services and mutual aid obligations, it is not always possible to make a direct corresponding reduction in services.

SUMMARY

- The projected shortfalls for Dry Creek and NAOF CSAs are primarily due to revenue declines.
- Assuming status quo without expenditure decreases or revenue increases, balancing FYs 2011/12 and 2012/13 on limited reserves available, would result in all reserves being expended by FY 2013/14 and there would be ongoing deficits.
- Solutions are necessary and they may be different for each of the two CSA's.

Next Steps

- Staff will complete analyses to further define implications of the options available which includes evaluation of:
 - Projected revenues over 5-10 years as economic recovery occurs for Dry Creek (evaluating property tax and new growth);
 - Implications of broader application of the direct service charge within the North Auburn Ophir Fire;
 - Adjustment of the direct charge for North Auburn Ophir Fire by voter approval;
 - Funding for capital improvements and apparatus replacement;
- Provide information and present options to appropriate Municipal Advisory Councils;
- Return to the Board of Supervisors with additional information and recommendations.